Defense Acquisition University

Business Planning and Execution: Achieving Affordability and Managing Cost

RDML Dave Lewis
Program Executive Officer, Ships
March 28, 2012

Distribution Statement A: Approved for Public Release; Distribution is unlimited

Team Ships Organization

PROGRAM EXECUTIVE OFFICER SHIPS
RDML DAVE LEWIS

SWE SUPPORT/ CORROSION CONTROL

DEPUTY COMMANDER FOR SURFACE WARFARE
RDML JIM SHANNON

TEAM SHIPS STAFF

COMBATANTS OFFICE
MS. BILYANA ANDERSON (SES)
EXECUTIVE DIRECTOR

- SHIPS ACQUISITION MANAGEMENT OFFICE — DIRECTOR B. Budd — DEPUTY DIRECTOR C. Teichert
- PMS 400D DDG51 — PM: CAPT [illegible] — DPM B. Rochon
- PMS 500 DDG 1000 — PM: CAPT [illegible] — DPM C. McKay
- PMS 320 Electric Ships Office — Dir: Dr. McCoy — DEPUTY DIRECTOR CAPT Petersen

AMPHIBIOUS & AUXILIARY SEALIFT OFFICE
MR. JAY STEFANY (SES)
EXECUTIVE DIRECTOR

- PMS 377 SSC / LCAC / LHA(R) / AADS — PM: CAPT Mercer — DPM T. Rivers
- PMS 317 LPD-1 7/ LSD(X) — PM: Vacant — DPM M. Lyons
- PMS 325 AUXILIARY SHIPS / SMALL BOATS & CRAFTS — PM: F. McCarthey — DPM M. Kosar
- PMS 385 STRATEGIC AND THEATER SEALIFT — PM: CAPT Stevens — DPM M. Deskins

SURFACE WARFARE DIRECTORATE

EXECUTIVE DIRECTOR

- FLEET READINESS SEA 21A — PM: CAPT Graham — DPM S. Samimi
- SURFMEPP — CO: CAPT Malone — DEPUTY T. Gallagher
- PMS 400F CGs / FFGs / DDG51s — PM: CAPT Eckerle — DPM S. Hale
- PMS 470 AMPHIBIOUS /AUXILIARY/MINE — PM: CAPT Gately — DPM B. Smith
- PMS 333 INACTIVE SHIPS /SHIP TRANSFERS — PM: CAPT Pietras — DPM INACTIVE SHIPS G. Clark; DPM SHIP TRANSFERS B. Gronenberg
- PMS 326 INTERNATIONAL FLEET UPPORT — PM: CAPT Baumann — DPM M. Sermon
- PMS 339 SURFACE TRAINING SYSTEMS — PM: CAPT Van Durick — DPM T. Conlon

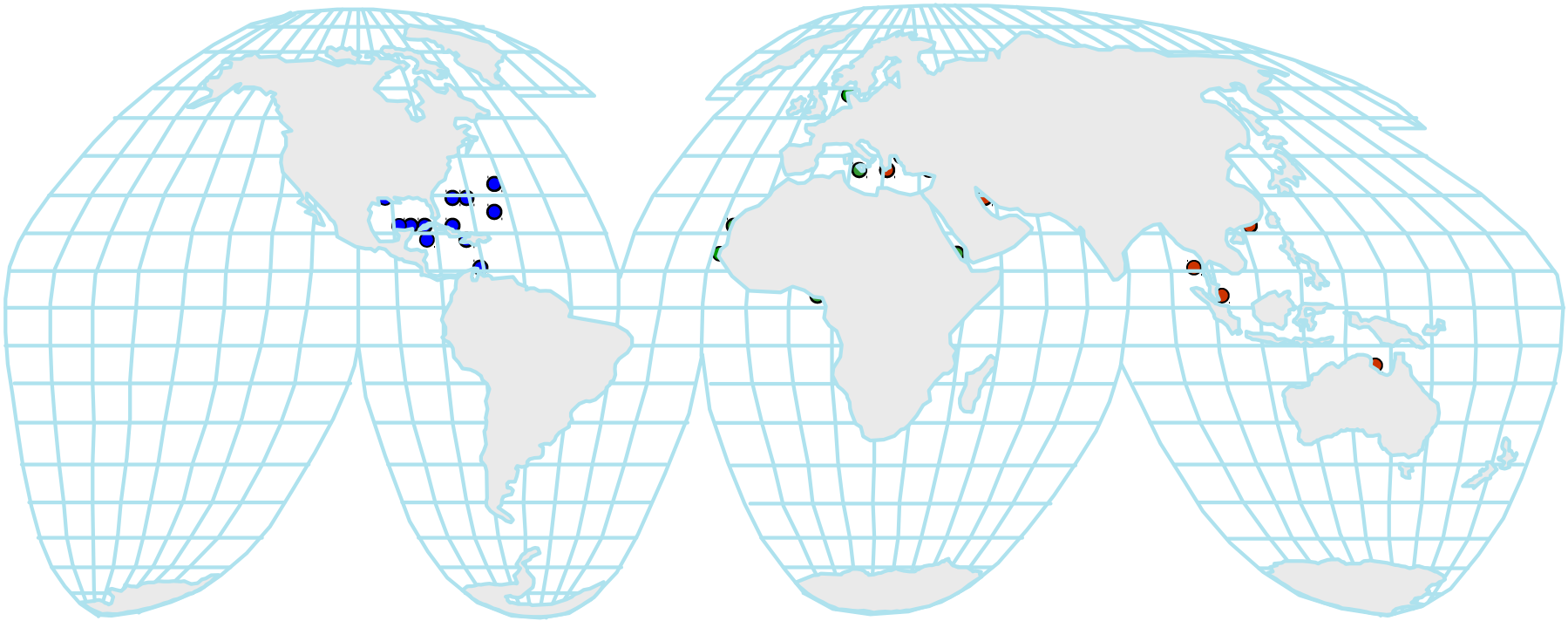
6 Shipbuilding PMs, plus 2 Support

PEO Ships Portfolio

- **33 USN / MSC ships currently under contract or building in PEO Ships portfolio**
- **79 FMS craft under construction**
- **127 USN boats / craft under construction**
- **Within one year (Dec 10-Dec 11), 34 Navy ships procured, including options (20 LCS, 2 DDG 1000, 4 DDG 51 Flight 2 restarts, 3 MLP, 1 LPD, 2 JHSV, and 2 AGOR).**
- **Contract value (of all options exercised or contracted) $14.5B.**

10 ACAT I Programs

International Partnership Base



LATIN AMERICA

Belize
Bolivia
Bahamas
Colombia
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru

EUROPE AND AFRICA

Albania
Botswana
Cameroon
Denmark
Djibouti
Gambia
Gabon
Georgia
Ghana
Cape Verde
Guinea Bissau
Mozambique
Rwanda
Sao Tome
Senegal
Sierra Leone
Tunisia
Ukraine

MIDDLE EAST AND ASIA

Australia
Azerbaijan
Bahrain
Bangladesh
Egypt
Iraq
Israel
Jordan
Kazakhstan
Kuwait
Lebanon
Malaysia
Oman
Philippines
Saudi Arabia
Sri Lanka
Thailand
Uzbekistan
Yemen

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Experienced Program Managers

Program	ACAT	Program Manager	Experience	SB Experience
DDG 51	ACAT 1C	CAPT Mark Vandroff	Div. Officer DDG 51, CSO DDG 66. EDO, SUPSHIP Pascagoula, AEGIS Test Officer, DDG 51 Combat System Test and Trials manger, Dir. for Surface Combatants DASN Ships, LPD 17 class Post Delivery Test and Trials Director, EA to PEO Ships, LPD 17 class shipbuilding DPM. Degrees: BS Physics; MS Physics	15 Years
DDG 1000	ACAT 1C	CAPT Jim Downey	Career: COMMS Officer, OPS Officer, SWO, Intel Briefing Officer, APM for Sea Integration, EDO, MSL Branch Chief & CHENG for DISA and NSA MSL, OIC of SPAWAR, CVN 21 Program Warfare Systems Director, PAPM and CHENG of CVN 21, CG(X) PM. Degrees: BS Economics, Computer Science; MS Computer Science	19 Years
LHA 6/ SSC/LCAC SLEP	ACAT 1D/ ACAT 1 (TBD)	CAPT Chris Mercer	Career: AUX Officer, COMMS Officer, MPA, Ship Repair PM at SUPSHIP Conversion and Repair- Portsmouth, EDO, Strategic Sealift Post Delivery PM Rep, HM&E Branch Head, Ship Material Condition Readiness Officer, IPS Project Officer for DD(X), SEA 05 Total Ship Power Division Officer, Production Officer- LPD 17 Class, LCS Production, Test & Post Delivery Director. Degrees: BS Marine Engineering; MS Electrical Engineering and Total Ship Systems Engineering	12 Years
LPD 17/ LSD(X)	ACAT 1D/ ACAT 1(TBD)	Jay Stefany	Career: Project Engineer- LHD 1, Combat & C4I Manager- LHD 5-7, Combat/C4I Lead- Amphibious Warfare Programs (PMS 377), Deputy Director- LCAC program, Deputy Director- JCC(X), DASN(Ships) Dir.Naval &Commercial Construction, DPM LPD 17 Class, CBA/AoA LCC(R) Manager. Degrees: BS Mechanical Engineering; MS Management	24 Years
T-AKE / T-AGM 25 ./ T-AGS 66 / AGOR	ACAT 1C	Frank McCarthey	Career: USCG Naval Engineer, APM PC Acquisition/Construction, PAPM T-AKE program, DPM Support Ships, Boats and Craft Program Office (PMS 325). Degrees: BS Marine Engineering, MS Marine Engineering and Naval Architecture, Engineer's Degree Ocean Engineering	22 Years
			Career: SWO ENG, CS, OPS Officer CG 34, CHENG MHC 57. EDO PHNS and IMF Ass't Superintendent SSN Depot Maintenance Overhaul SSN	

PEO Ships Shipbuilding Workload

Under Contract & Building	To Contract (FY 12/13)	To Deliver (FY12)	Workload By FY13
22 LCS (PEO LCS)	----	(PEO LCS)	(PEO LCS)
5 DDG 51	9 DDG 51 (MYP)	1	13
3 DDG 1000	----	----	3
2 Deckhouses	1 Deckhouse	----	3
4 LPD	1 LPD	2	3
1 LHA	1 LHA	1	1
2 T-AKE	----	2	0
10 JHSV	----	1	9
3 MLP	----	----	3
	2 SSC	----	2
1 T-AGS	----	----	1
2 AGOR	----	----	2
33 Ships	14 Ships	7	40

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PEO Ships Acquisition Programs

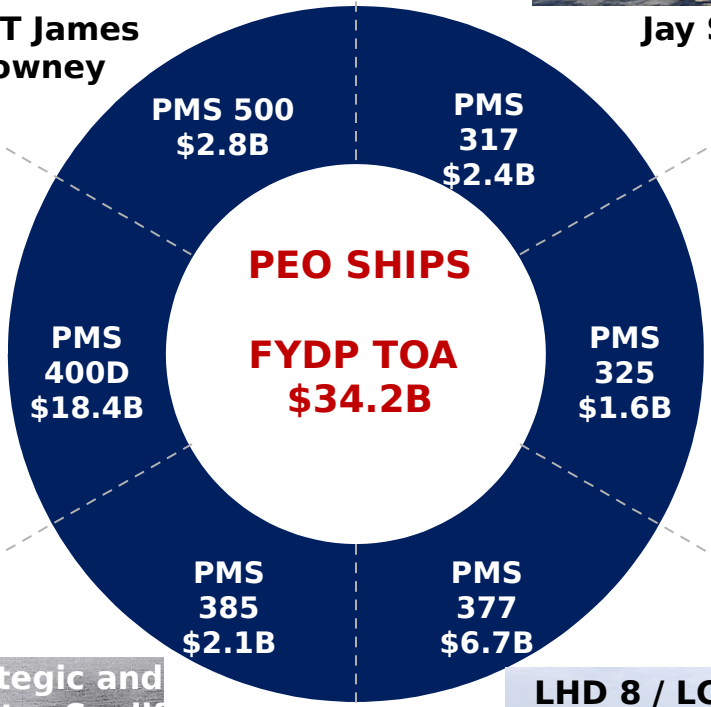
Program Executive Office, Ships

CAPT James Downey

Jay Stefany

CAPT Mark Vandroff

Frank McCarthey



Six PMSs
10 ACAT I
1 ACAT II
3 ACAT III
0 ACAT IV
24 NON-ACAT

CAPT Henry Stevens

CAPT Chris Mercer

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PEO Ships Issues

- **Insourcing / New Hires**
- **Contractor Support Services Consolidation**
- **OSD / ATL Top Management Issues**

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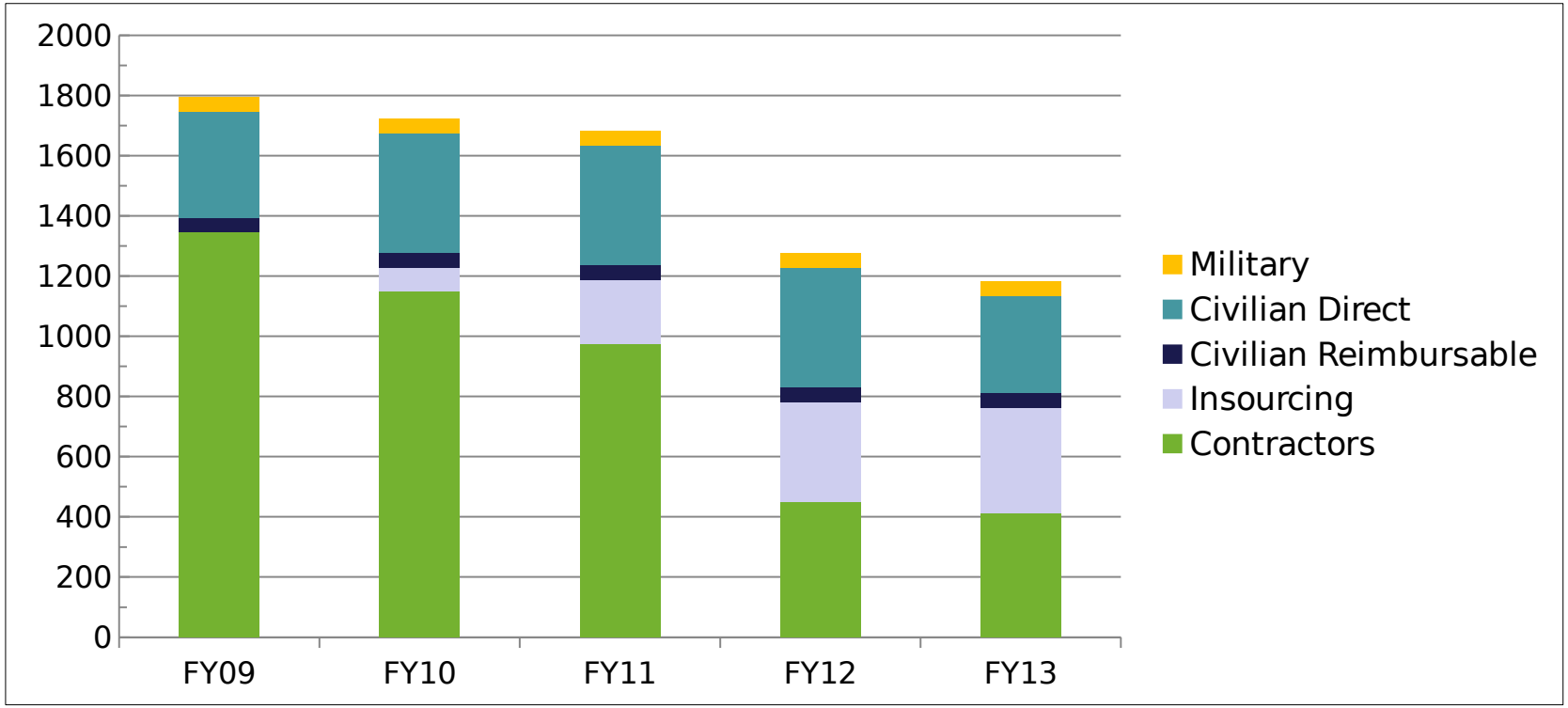
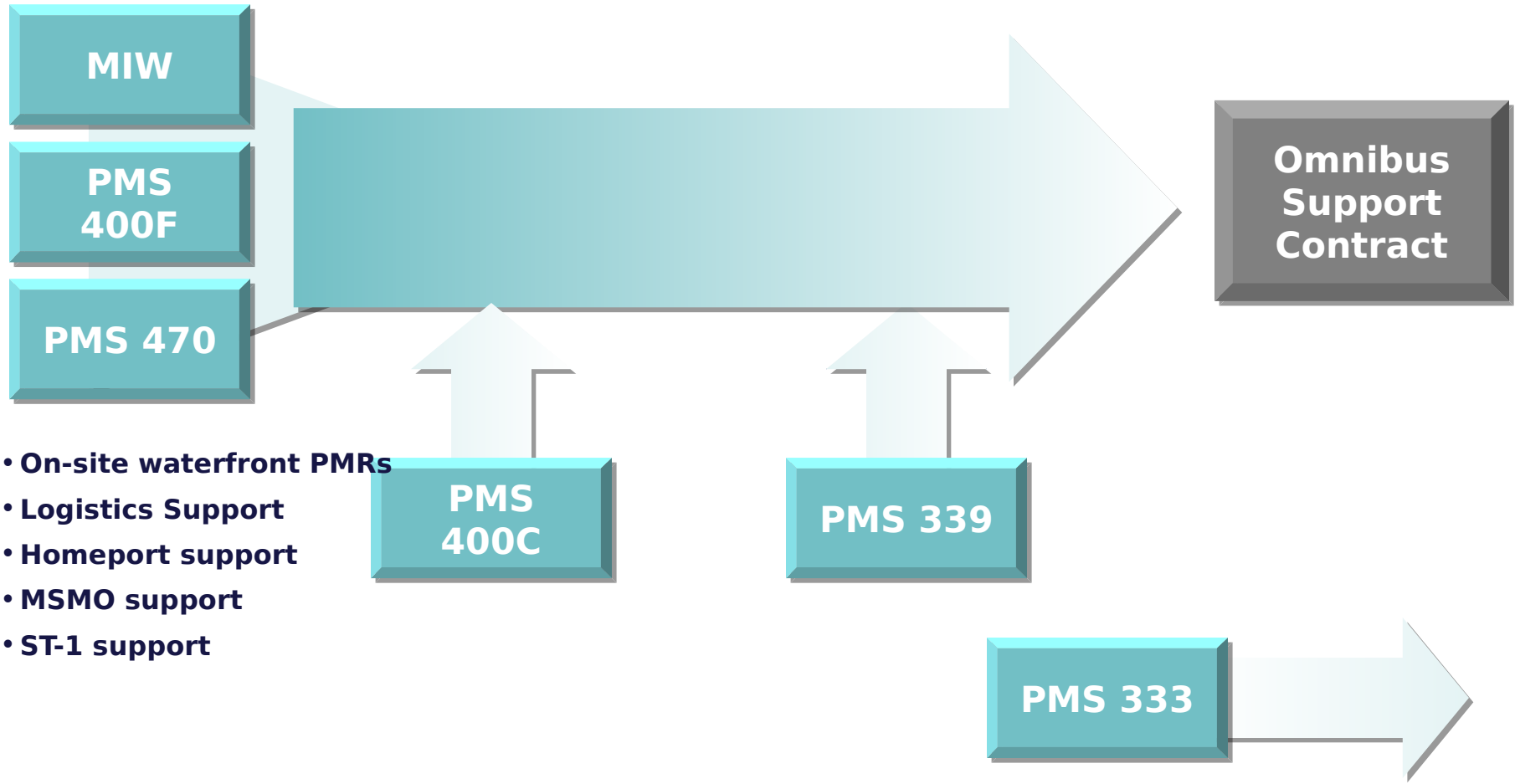
Team Ships Workforce Trends



- Team Ships has aggressively hired from Feb 2009 to Oct 2011

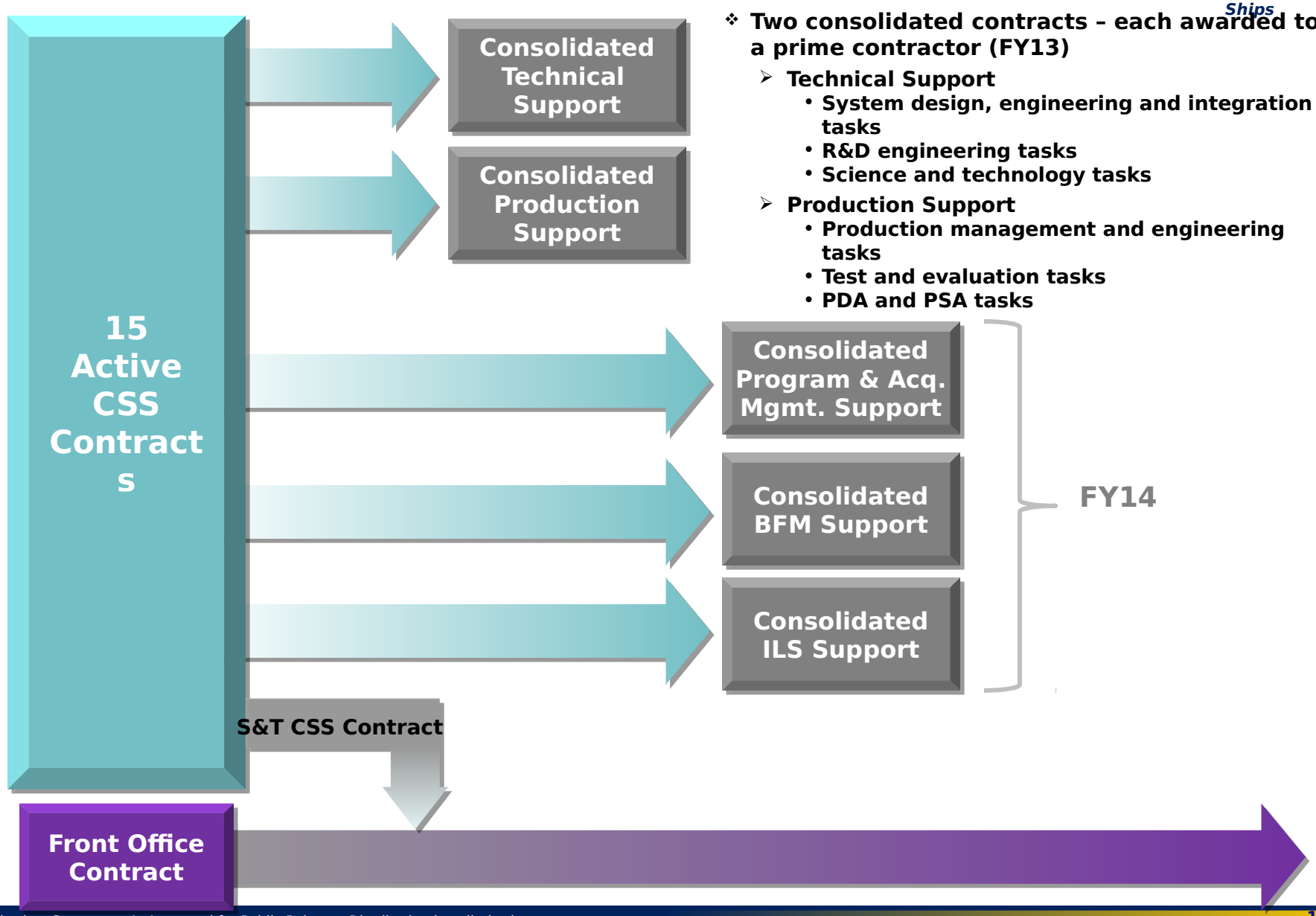
SEA 21 CSS Consolidation (complete)

- **In 2004 SEA 21 consolidated MIW, PMS 400F and PMS 470 support into a single Omnibus Support Contract**
- **In 2007 they absorbed the PMS 400C support into the Omnibus Support Contract**



- **On-site waterfront PMRs**
- **Logistics Support**
- **Homeport support**
- **MSMO support**
- **ST-1 support**

PEO Ships CSS Consolidation (planned)



- **Two consolidated contracts – each awarded to a prime contractor (FY13)**
  - **Technical Support**
    - **System design, engineering and integration tasks**
    - **R&D engineering tasks**
    - **Science and technology tasks**
  - **Production Support**
    - **Production management and engineering tasks**
    - **Test and evaluation tasks**
    - **PDA and PSA tasks**

OSD / ATL – Better Buying Power

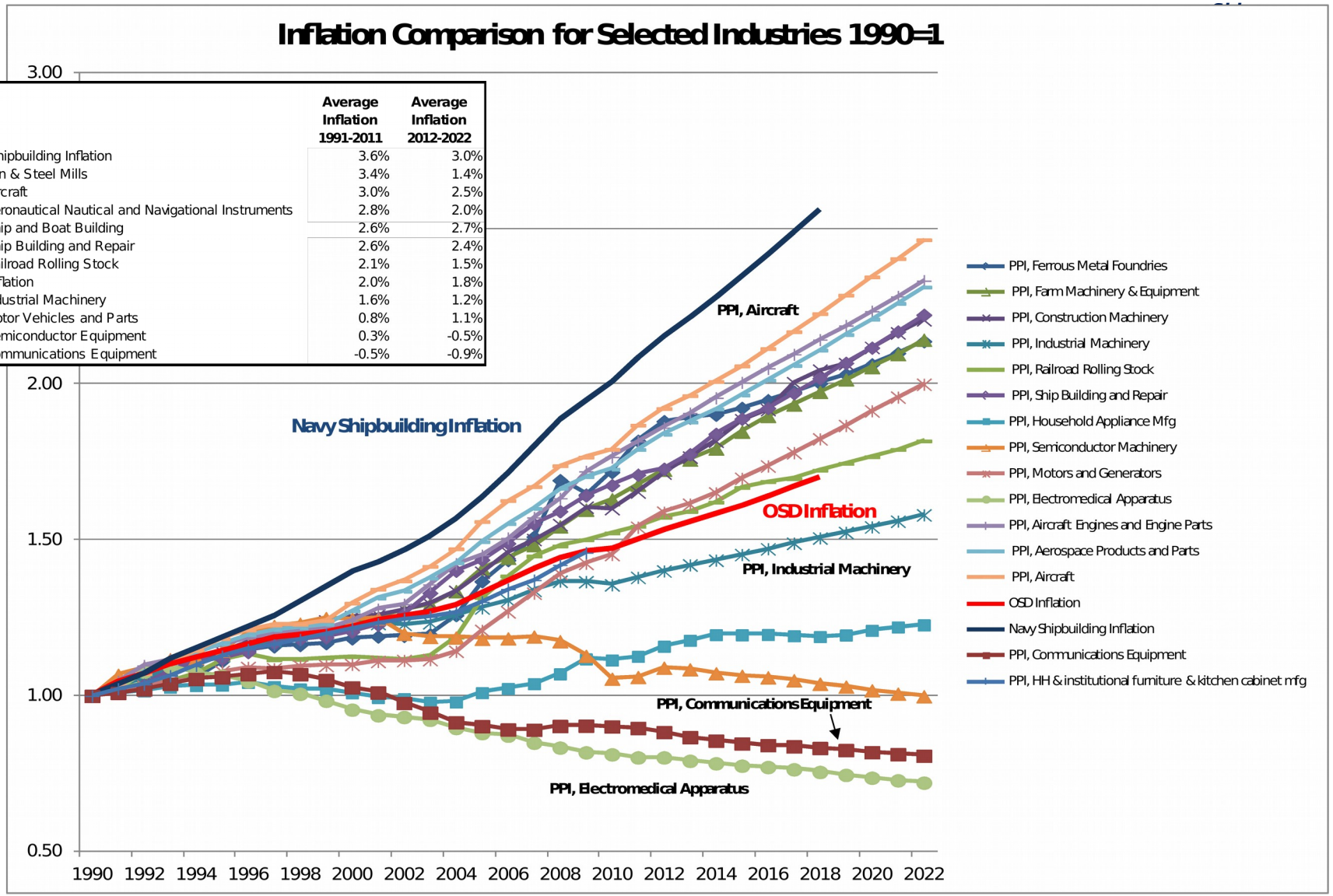
LCS Block Buy "The awards represent a unique and valuable opportunity to lock in the benefits of competition and provide needed ships to our Fleet in a timely and extraordinarily cost effective manner."
- *Secretary of the Navy Ray Mabus*

DDG 1001/1002 "This contract award demonstrates the Navy's commitment to balancing cost, capability and industrial base considerations to improve the affordability of this shipbuilding program. This is a great example of putting in place should-cost targets to meet validated warfighting requirements."
- *Assistant Secretary of the Navy (Research, Development and Acquisition] Sean Stackley*

DDG 114-116 "These awards, including DDG 113 through DDG 116, deliver on Adm. [Gary] Roughead's determination to restart DDG 51 production, providing increased Air and Missile Defense for our future fleet and strengthening our industrial base — all the while, leveraging competition, incentivizing greater productivity and driving down costs. Firepower for the warfighter. Value for the taxpayer. PEO Ships and NAVSEA have put in place the best of practices that Secretary [Ashton] Carter has challenged the Navy to execute."
- *Assistant Secretary of the Navy (Research, Development and Acquisition] Sean Stackley*

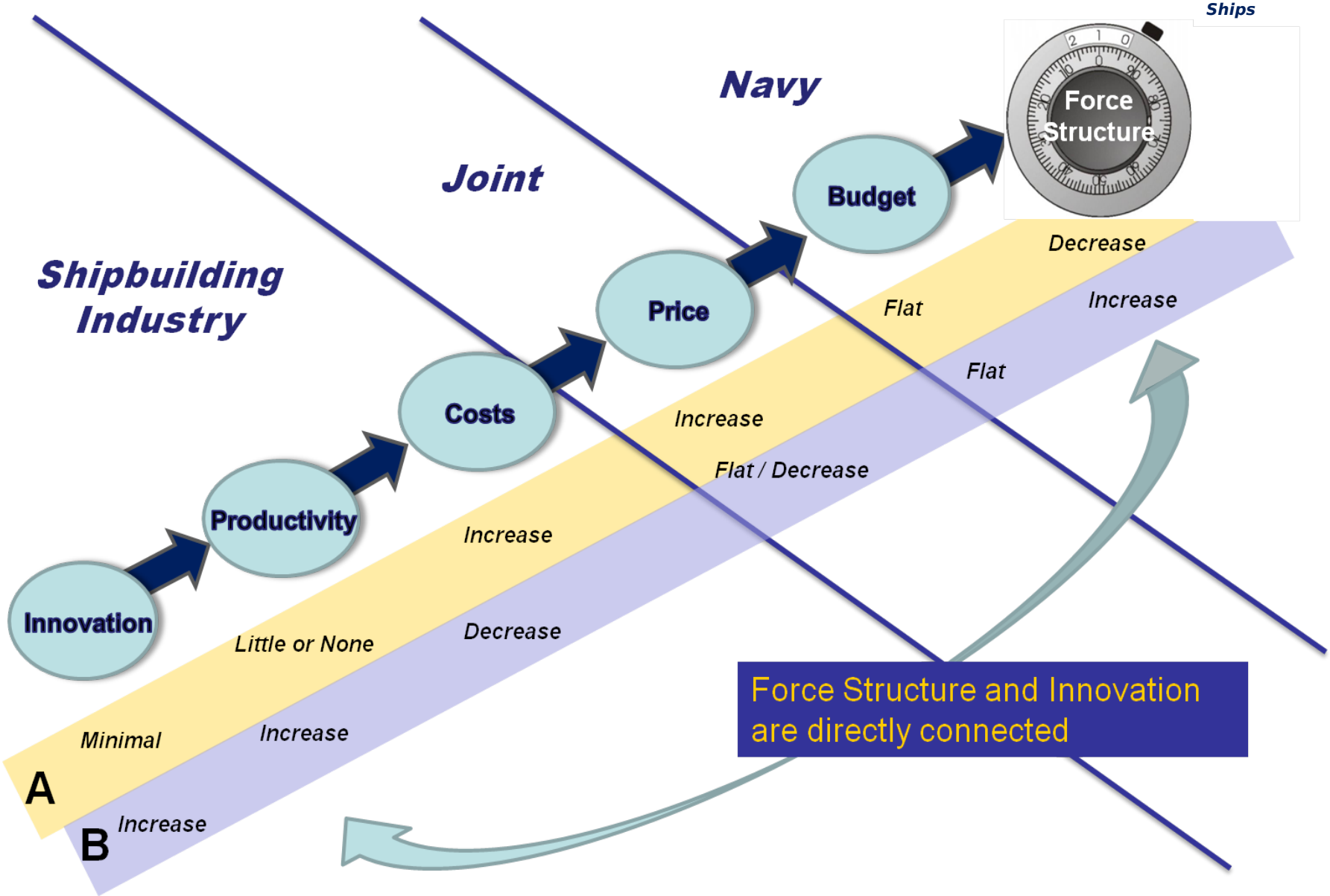
Industry Inflation

	Average Inflation 1991-2011	Average Inflation 2012-2022
Navy Shipbuilding Inflation	3.6%	3.0%
PPI, Iron & Steel Mills	3.4%	1.4%
PPI, Aircraft	3.0%	2.5%
PPI, Aeronautical Nautical and Navigational Instruments	2.8%	2.0%
PPI, Ship and Boat Building	2.6%	2.7%
PPI, Ship Building and Repair	2.6%	2.4%
PPI, Railroad Rolling Stock	2.1%	1.5%
OSD Inflation	2.0%	1.8%
PPI, Industrial Machinery	1.6%	1.2%
PPI, Motor Vehicles and Parts	0.8%	1.1%
PPI, Semiconductor Equipment	0.3%	-0.5%
PPI, Communications Equipment	-0.5%	-0.9%



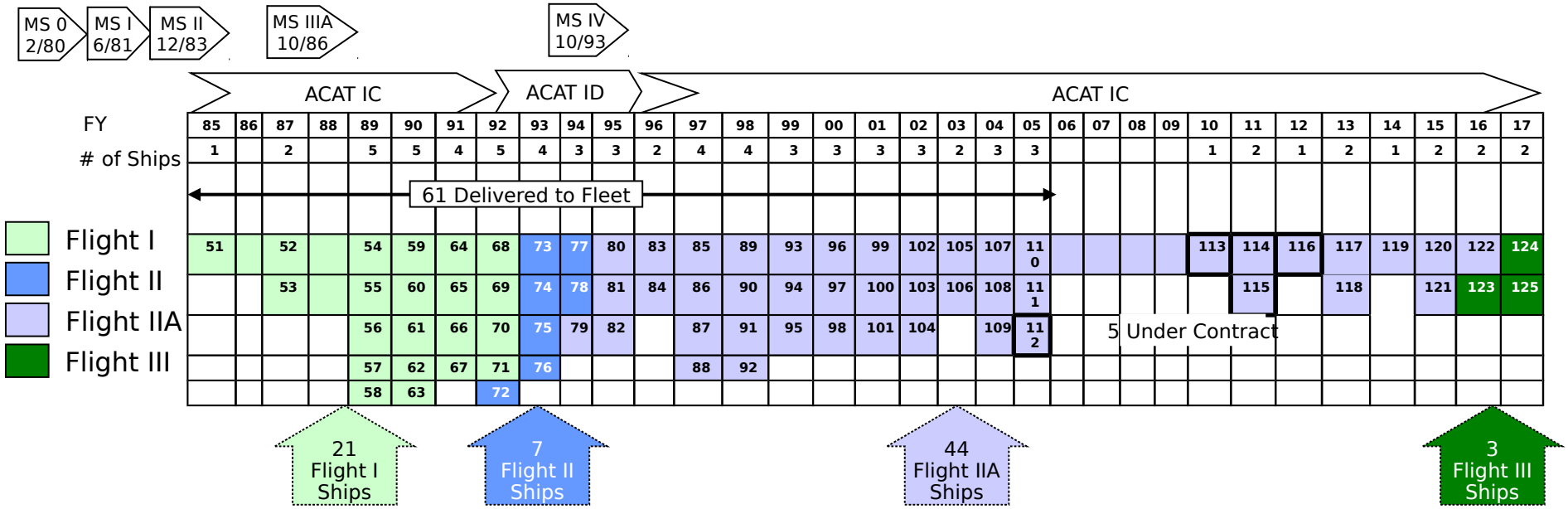
Source: BLS Historical PPI – Global Insight 2012 Q1 Forecast

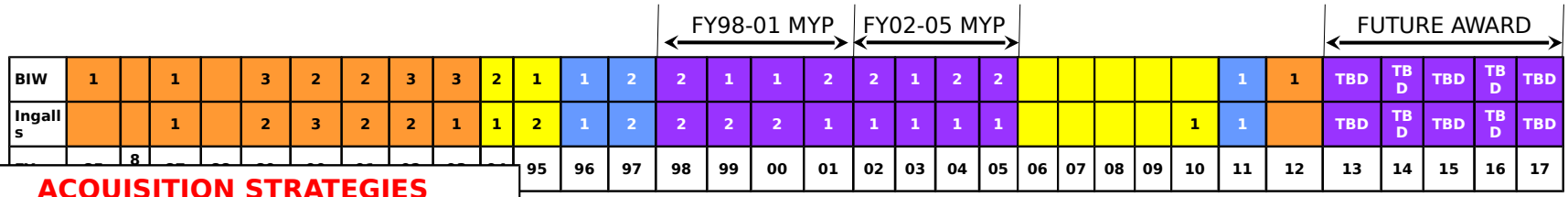
Shipbuilding: Force Structure Model



DDG 51 Class Shipbuilding Plan (PB13)

Program Executive Office, Ships





ACQUISITION STRATEGIES	
Competition For Work	27
Negotiated Allocation	7
Competition for Profit (PRO)	8
Multi-Year (PRO)	33
Total	75

	DELIVERED	UNDER CONTRACT	TOTAL
BIW	33	3	36
Ingalls	28	2	30

Desired Behaviors and Outcomes: Navy and Industry

- **Navy**
  - ✔ Stable budget with stable, long-term plans
  - ✔ Optimized production schedules
  - ✔ Reward cost discipline
  - ✔ Align fee with risk

  } Create price discipline

  } *Increases Force Structure*

- **Industry**
  - ❑ Productivity improvements through innovation
  - ❑ Cost reduction
  - ❑ Take risks

  } *Increases Profitability*

Making Progress But More Work To Do

Summary: What Has Changed

Acquisition

- **Focus on cost and execution performance**
- **Focus on long-term contracts (MYP, Block Buy)**
- **Focus on fixed-price type contracts**
- **Active Navy management of material (GFE, CFE)**
- **Fee aligned with risk**

PEO Ships

- **Insourcing**
- **CSS Consolidation**
- **Organization**

"The winds and the waves are always on the side of the ablest navigators."

- *Edward Gibbon, (1737-1794)*

Questions?